



160 St. Paul Street, New Haven, CT 06511-2390 (203) 865-0371 (203) 865-4997

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m. Katz

Connecticut State Medical Society Testimony on
Senate Bill 194 An Act Concerning Rate approvals for Individual Health Insurance Policies
Insurance And Real Estate Committee
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Senator Crisco, Representative Fontana, and members of the Insurance and Real Estate Committee, my name is Matthew Katz and I am the executive vice president of the Connecticut State Medical Society (CSMS). On behalf of our more than 7,000 members, thank you for the opportunity to present this testimony to you today in strong support of Senate Bill 194, An Act Concerning Rate Approvals for Individual Health Insurance Policies.

The legislation before you today would establish meaningful and appropriate requirements for the filing and hearing of potential health insurance rate hikes. In addition, it will put in place a process that will enable public review and scrutiny of proposed rate increases by insurers, allowing the public to be more directly involved in the process of evaluation.

U.S. Health and Human Services Secretary Kathleen Sebelius recently highlighted the 24% rate hike requested by Anthem on individual health plans in Connecticut last year. The Secretary said that these insurers are making families suffer, and the premium increases are not justified by higher medical expenses. According to Sebelius, "In 2009 alone, at a time when we saw a huge economic downturn, we had insurers, these top 5 insurers (WellPoint, Cigna, UnitedHealth Group Inc., Aetna Inc. and Humana Inc.) who had \$12.2 billion in profit. So to suggest that this is entirely in line with even healthcare costs which clearly still are exceeding typical inflation costs – these profits are wildly excessive."

Should such increases continue unchecked, employers will either pay these excessive increases and lay off more employees, leading to growing ranks of the unemployed, or they can pass along the costs to their employees who will then have to choose between health care coverage and food on the table. The alternative is that we do something about these disproportionate and egregious rate increases right now, right here in the so called "insurance capitol of the world."

Too often these insurers attribute the need for such exorbitant hikes on the costs of medical services and physician payments. However, we well know that physician reimbursement rates have been at best, stagnant, and even now physicians face a reduction on Medicare rates of over 20% on Monday March 1, 2010. With most insurers using Medicare rates as a baseline at which to set their own physician reimbursement rates, history suggests further cuts for physicians are likely to follow. Of course, there is no talk about health insurance premium cuts of equal proportion. We hear of medical costs as a percentage of premium, and we hear about reinsurance cycles and this mandate and that, but the numbers never seem to add up. In fact, has any insurer provided a clear explanation as to why in one calendar year rates would go up 20 or even 30 percent?

Furthermore, when regulators in this state continually rubber-stamp health insurer mergers and acquisitions, no one protects consumers. No one asks, much less demands that the suggested economies of scale that the insurers purport to achieve pass down to employers and employees in the form of premium reductions. Perhaps we at CSMS are too cynical: Maybe United/Oxford will decrease rates this year and next because it purchased HealthNet. We should all hope so-- in fact, we should demand it; after all, the Connecticut Department of Insurance approved the acquisition as being "in the public good." What better constitutes the public good than achieving real and meaningful health insurance rate reductions?

CSMS has consistently called for transparency in all aspects of the health insurance industry. Consumers and employees should know and understand how their premium dollars are being spent -- what portion is going directly to their medical care and what portion is going to the profit centers of the health insurers. A hearing process that formally includes patient advocates, as well as the Attorney General and Health Care Advocate, will ensure that the proper questions are asked and that they are answered by health insurers in a public forum prior to the approval of yet another unreasonable hike in health insurance rates.